

# M e m o r a n d u m

To: Panel Members Date: November 20, 2003

From: Ruby Cohen, Manager Analyst: J. Daunt

Subject: One-Step Agreement for **R. Lang Company <100**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition Training In High Unemployment Areas Of CA
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace; Stimulating Exports / Imports
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
  - *Worldwide:* 98
  - *In California:* 98
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$216,000
- Substantial Contribution: \$0
- Total ETP Funding: \$216,000
- Total In-kind Contribution: \$206,987
  - *Trainee Wages Paid During Training:* \$153,495
  - *Other Contributions:* \$53,492
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Tulare

## **INTRODUCTION:**

R. Lang Company of Visalia, California, is a manufacturer of home improvement and building products, including screen doors, screen frames, screen roll goods and components, greenhouse windows, door grills, skylights, and storm and security doors. R. Lang qualifies as a single employer engaged in manufacturing, as stipulated in Title 22 California Code of Regulations, Section 4416(a)(1, 2). Because R. Lang Company's Visalia facility is moving toward a high performance workplace, the company is proposing to train employees in the occupational skills necessary to achieve this goal.

## **MEETING ETP GOALS AND OBJECTIVES:**

R. Lang Company proposes training that will further the following ETP goals and objectives:

- 1) As an manufacturer of home improvement and building products, R. Lang Company has formulated a training program for its employees that will meet ETP's legislative mandate to foster the retention of manufacturing jobs within the state.
- 2) Training is targeted to meet the needs for a skilled manufacturing workforce facing strong competition outside California. This project thereby meets ETP's legislative mandate to foster job retention in industries threatened by out-of-state competition.
- 3) Training is designed to enhance the occupational skills of workers in order to prepare them for progress toward a high performance workplace.

**TRAINING PLAN TABLE:**

Job Number / Trainee Type	Types Of Training	No. Retain	No. Class / Lab Video- conf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1  Retrainee	Menu: Business Skills Continuous Improvement Computer Skills Manufacturing Skills Literacy Skills	10	140	0	\$2,800	*\$10.98- \$20.58
Job Number 2  SET Retrainee	Menu: Business Skills Continuous Improvement Computer Skills Manufacturing Skills Literacy Skills	20	140	0	\$2,800	*\$9.77- \$10.87
Job Number 3  Retrainee	Menu: Business Skills Continuous Improvement Computer Skills Manufacturing Skills	49	100	0	\$2,000	*\$10.98- \$38.76
Job Number 4  SET Retrainee	Menu: Business Skills Continuous Improvement Computer Skills Manufacturing Skills	17	100	0	\$2,000	*\$9.77- \$10.87
					<b><u>Prevalent Hourly Wage</u></b>	
					\$12.00	
					<b><u>Average Cost Per Trainee</u></b>	
					\$2,250	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b> * Employer-paid health, dental, and/or vision benefits of \$1.50 per hour may be used to meet the ETP minimum hourly wage of \$10. 98 per hour in Tulare County.				<b><u>Turnover Rate</u></b> 19%		<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b> 10.4%
<b><u>Other Employee Benefits:</u></b> In addition to medical and dental benefits, R. Lang’s employer-paid benefits include paid sick leave, paid vacation leave, disability, life insurance, pension/retirement.						

**COMMENTS / ISSUES:**

➤ **Frontline Workers**

ET04-0552  
ETP130AgrSingle-0903

Of the 96 participants in this project, 86 (or 89.5 percent) meet the Panel's definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee).

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***Training in High Unemployment Areas of California***

Title 22 California Code of Regulations, Sections 4409(a)(6) gives the Employment Training Panel the authority to waive the ETP minimum wage requirements for frontline workers in regions of the state where the unemployment rate is significantly higher than the state average. R. Lang Company is requesting a waiver of the ETP minimum wage of \$10.98 for Tulare County, which is recognized as an area of California with a significantly higher unemployment rate than the state as a whole, exceeding the state average by 25 percent or more. Based on recent Employment Development Department (EDD) figures for September 2003, the unemployment rate in Tulare County is 12.4 percent. This exceeds the statewide unemployment rate of 6.1 percent by 103 percent. Of the 58 California counties, Tulare ranks 55th in severity of current unemployment.

R. Lang Company is requesting a reduced minimum wage for 37 of the 96 trainees to be included in this proposal, all of whom are employed as either assemblers/production workers or distribution workers. Because the company's goal is to provide an inclusive training program plant-wide, R. Lang Company is requesting this wage waiver so that a near-complete portion of the workforce can be included in the proposed training. Company officials state that this is important in achieving the goal of a high performance workplace for the Visalia facility.

The 37 trainees are in Job Numbers 2 and 4, and are receiving wages of between \$9.00 and \$10.00 per hour (including employer-paid health/dental/vision benefits). Upon completion of their retention periods, these trainees will receive raises of between 8.5 and 8.7 percent, such that they will be receiving wages of between \$9.77 and \$10.87 per hour (including employer-paid health/dental/vision benefits).

	<u>Before Retention</u>	<u>After Retention</u>	<u>% Increase</u>
Assemblers / Production Workers (32)	\$9.00-\$10.00/hr.	\$9.77-\$10.87/hr.	8.5%-8.7%
Distribution Workers (5)	\$9.00-\$10.00/hr.	\$9.77-\$10.87/hr.	8.5%-8.7%

The remaining 59 trainees (Job Numbers 1 and 3), including an additional 17 assemblers/production workers and 8 distribution workers, are receiving wages at or above ETP's minimum of \$10.98 per hour for Tulare County, including health, dental, and vision benefits.

**PROPOSED ACTION:**

Staff recommends that the Panel:

- (1) Approve the applicant's request for a waiver of the minimum wage for a portion of the trainees; and
- (2) approve this Agreement if funding is available and the project meets the Panel priorities.

**NARRATIVE:**

Founded in 1937 as the Roll-Away Screen Company, R. Lang Company later became the Roll-Away Screen and Fabricated Special Products Division of Rudiger-Lang Company. In 1967, Richard Lang purchased this division from Rudiger-Lang and established it in Richmond, California as R. Lang Company, its present name. Since then, the company has moved to Visalia, California where today it occupies a 75,000-square-foot manufacturing-distribution facility, and employs 98 full-time workers.

R. Lang manufactures home improvement and building products, including screen doors, screen frames, screen roll goods and components, skylights, door grills, greenhouse windows, and storm and security doors. Company officials state that R. Lang has instituted a number of innovations, including consolidating the operations into one site, implementing an MRP system, and beginning the process of updating production lines.

In 1999 the company closed its Richmond and Sacramento facilities and consolidated business in Visalia. Since 1999, according to officials, the company has expanded its distribution into markets throughout the United States, particularly in Connecticut, Florida, and Texas. Company officials state that in 2000, R. Lang invested approximately \$300,000 in new equipment at the Visalia facility, and that for 2003 the projected approximate investment for new equipment is \$200,000.

Company officials state that, to remain viable, R. Lang needs to continue growth while improving efficiency rates. According to the officials, workforce training in high performance workplace practices provides an effective, practical means of improving the efficiency and productivity of R. Lang's day-to-day operations.

Company officials have stated that, previous to the company's first ETP Agreement, R. Lang's frontline employees performed their occupational duties under the close supervision of company management. This proved inefficient and costly. The primary objective of the first ETP program was to move past this inefficient management practices.

Under the previous ETP Agreement, R. Lang moved in a limited way toward a high performance workplace, according to company officials, who add that one goal of the previous ETP Agreement was to lower the cost of production by improving the employees' abilities to perform efficiently. Through the training provided under the first project, R. Lang was able to run the company's garden window line according to the Kaizen World Class Manufacturing system. As a result, the line's efficiency improved by approximately 40 percent and R. Lang benefited from

**NARRATIVE:** (continued)

limited cost savings created by this improvement. Officials state that the company used the savings to distribute raises and bonuses to garden window employees. R. Lang desires to extend this success to other manufacturing lines.

However, since the first ETP project, rising operating and personnel costs, coupled with stiffer national and international competition, have negatively affected R. Lang's business. Company officials state that, to counteract these negatives, additional training is required in order for R. Lang to continue its progress in building a high performance workplace, with stronger and more self-directed teams. Officials state that they have determined through assessments that company employees generally require more training in team building, problem solving, world class manufacturing practices, enhanced/advanced product knowledge and information, telephone skills, customer services, software and network skills, and additional continuous improvement methods.

R. Lang officials have consequently formulated a training plan to achieve the goal of improving production efficiencies plant-wide. The training project's general aims include increasing the efficiency of company processes to accommodate customer demands for shorter lead times, lowering operating expenses to stay ahead of rising costs, and deflecting price competition from larger, more established global competitors. Specifically, R. Lang is proposing the following types of training to continue the company's transformation into a high-performance workplace:

**Business Skills** – Company officials state that business skills training will focus on the understanding and implementation of outstanding customer service standards. Employees will utilize better telephone skills, enhanced project management, and higher customer service standards. The business skills training, according to officials, is designed to develop new customers and to maintain and improve relationships with existing customers.

**Computer Skills** – Training will be provided in advanced topics applicable to Microsoft's Windows and Office software. Computer skills training will also include classes in the more advanced modules of R. Lang's new MRP system. Officials expect that computer skills training will allow employees to manage inventory and customer orders more efficiently.

**Literacy Skills** – Prior to the previous ETP Agreement, R. Lang tested vocational English among its employees and found that a number of them required training in vocational English as a second language (VESL). Assessments focused on spoken English; however, after training began, company officials realized that many employees, while orally fluent, were unable to comprehend written English. Additional assessments have determined that some employees require remedial arithmetic mathematics training. The company has, therefore, designed a program that includes training in reading and basic math for those employees who require it.

**Manufacturing Skills** – Company officials state that a primary goal of the training program is to improve the outputs of all production lines. This requires cross-training employees, teaching them world class manufacturing techniques, and allowing them to take more active roles in production-related decisions, according to R. Lang officials. Training will include best processes in manufacturing, inspecting and packaging the windows, screens and doors that comprise the

**NARRATIVE:** (continued)

bulk of the company's production. Company officials state that they expect training will directly or indirectly lead to improved efficiency rates, better use of floor space, decreases in reject rates, increases in customer orders, decreases in returned product, and higher ratings on customer satisfaction surveys.

**Continuous Improvement** – Workers in all job categories will receive team building training, allowing them to contend with production-related changes and problems. R. Lang officials state that the company is committed to creating an environment in which all workers share their improvement ideas with their supervisors, and teams work together to streamline production and delivery cycles. Officials further state that employees will also be trained in how to (1) use world class manufacturing process improvement tools and methods, (2) understand changes in business, (3) understand the interdependence of the company's departments, and (4) manage work more independently. Officials state that this training is designed to allow R. Lang products to be delivered reject free, at the lowest cost possible.

***Supplemental Nature of Training***

Panel Legislation requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. The current proposal would be the second ETP Agreement for R. Lang Company. Prior to the company's first ETP program, training given to employees by R. Lang consisted of basic manufacturing skills training that was provided on an on-the-job basis. According to company officials, this limited training was insufficient to maintain competitiveness or improve productivity. As a result, R. Lang came to ETP with its first training application. Training in both the previous ETP Agreement and in the current proposal supplements the training that had been provided previously.

R. Lang officials state that as they planned the first ETP project, they overestimated their ability to move the company to a high performance work environment. Additional training is necessary. A training manager was hired during the previous agreement, to assist with the refocusing of the program. He has remained with R. Lang and (according to company officials) has planned and developed cross-training skills training to be included in the current proposal – all of which would be new to the employees and the company, and which would provide the more advanced level of training that the company was not able to include in the previous agreement.

Because the training contained in the current proposal has been planned and designed to contain more advanced training than the basic level that was provided under the previous program, the proposed curriculum supplements, rather than displaces, the previous training provided by R. Lang.

Company officials state that with the assistance of ETP funding, they will be able to provide the more advanced and formal manufacturing, continuous improvement, business skills and computer skills training that is necessary for the company's workforce to continue progress toward higher performance. Because this training is more advanced than the training provided both before and during the previous agreement, training is supplemental.

**NARRATIVE:** (continued)

R. Lang officials state that the company is committed to continuing employee training after completion of the ETP-funded program covered in the current proposal. After the contract, managers and supervisors will have developed classroom-training experience and will be able to continue to provide additional training in continuous improvement techniques and manufacturing practices to the bulk of the employee population. Officials state that an estimated \$300,000 will be spent on training during the two years following the ETP Agreement.

**SUBCONTRACTORS:**

Strategy Workplace Communications, San Francisco, California, for a dollar amount to be determined, not to exceed \$28,172, for project administration.

**THIRD PARTY SERVICES:**

Strategy Workplace Communications of San Francisco, California, assisted in the preparation of the application, training plan, and application documents for a flat rate of \$7,500.

**ACTIVE PROJECTS:**

The following are current project statistics:

ACTIVE PROJECTS						
Agreement Number	Agreement Amount	Term	Planned Number To Be Retained	Number Enrolled	Number Completed Training	Number Retained For 90 Days
ET02-0189 Retrainee	\$222,800	11/26/2001- 11/25/2003	90	77	58	43

Company officials state that the performance on the first ETP Agreement, the term of which is almost complete, reflects the Contractor's miscalculation, despite assessments, of employees' skills at the time of the development of the program. They explain that training needed to be delivered at a more basic level than had been anticipated. Subcontracted trainers were unable to work with the limited skills of the employees, according to company officials. Also, training proceeded more slowly than had been planned. As a result, training in the first ETP program was refocused and provided generally at a more basic level, upon which training the current proposal, which is at a more advanced level, is designed to build upon training that was successfully delivered to trainees in the first agreement. As a result, company officials anticipate that the problems encountered in the first program will be avoided as they implement the current proposal.



## R. Lang Company Menu Curriculum

Hours  
Class / Lab  
100-140

Trainees will be provided any of the following:

### Literacy Skills (Jobs 1 and 2 only, not to exceed 40 hours per trainee)

- -Communicating With Supervisors and Managers
- -Reading Charts, Work Orders, Production Regulations
- -Shop Related Mathematical Operations

### MANUFACTURING SKILLS

- -Advanced Quality Production Tools and Operations
- -World Class Manufacturing Processes and Practices
- -Production Documents
- -Cross-training in Production Equipment and Control

### CONTINUOUS IMPROVEMENT

- -Framework for Change
- -Advanced Process Improvement Techniques
- -Quality Measurements
- -Teambuilding and Problem Solving Skills
- -Lean Manufacturing Principles and Tools
- -5 S Principles and Tools (Sift, Sort, Sweep, Standardize, Sustain)

### BUSINESS SKILLS

- -Telephone Skills
- -Advanced Methods of Project Management
- -Customer Complaints / Principles and Tools
- -Strategies for Creating Good Customer Relations with New Customers
- -Enhanced Product and New Customer Knowledge

### COMPUTERS SKILLS

- -Report and Table Generation
- -System Navigation
- -Query Development
- -File Control and Management
- -Troubleshooting
- -Advanced Skills for Updated Windows and Office Programs